FRANKLIN MINT CORPORATION

ANNUAL REPORT 1974

FRONT COVER:
THE SILVERSMITH—first issue in The Franklin Mint's first collection of sculptured figures. This figure suggests many of the themes basic to The Franklin Mint's success—history, art, craftsmanship, precious metal and—perhaps above all—pride of possession.

Highlights

	1974	1973	Change
Net sales	$166,736,000	$112,676,000	+48%
Net income	13,012,000	9,138,000	+42%
Shareholders' equity	48,546,000	37,049,000	+31%
Earnings per share	$1.58	$1.12	+41%
Dividends per share	.30	.20	+50%
Subscription and order backlog	$322,000,000	$139,000,000	+132%
Established collectors	1,115,000	810,000	+38%
Return on sales	7.8%	8.1%	
Return on shareholders' equity	30.4%	27.6%	

To Our Shareholders

1974 was a year of exceptional growth for Franklin Mint Corporation. Both sales and earnings established new records.

Sales increased 48% to $166,736,000 from $112,676,000 in 1973. Net income increased 42% to $13,012,000, or $1.58 per share, from 1973 net income of $9,138,000, or $1.12 per share.

In the fourth quarter, sales were a record $53,199,000, an increase of 61% over sales of $33,135,000 in the final period of 1973. Net income increased 39% to $4,408,000, or $.53 per share, from $3,178,000, or $.39 per share, in the comparable period a year ago.

The corporation's total subscription and order backlog also increased significantly during 1974. By December 31, it had reached a record $322,000,000, adjusted for expected attrition. Of this total, 33% is scheduled for shipment in 1975, 20% in 1976 and the balance in subsequent years through 1983.

In addition, the number of established Franklin Mint collectors around the world increased 38% in 1974, from 810,000 to 1,115,000.

In September, the company increased the regular quarterly cash dividend from $.05 per share to $.10 per share, beginning with the third quarterly payment. Therefore, our total cash dividend for 1974 increased to $.30 per share from $.20 in 1973. The company's cash dividend has increased in each year since the first dividend was declared in 1968.

Our record performance in 1974 was achieved despite one of the most difficult business environments in many years. Double-digit inflation in most of our costs, a volatile silver market, rising interest rates and a decrease in real disposable personal income were aggravated in the fourth quarter by a steep decline in the United States in consumer confidence and willingness to spend.

Nevertheless, as our record sales and earnings indicate, both established Franklin Mint collectors and the general public continued to respond well to most of our collector offerings.

And, while adverse business conditions had a slight unfavorable impact on profits as a percentage of sales —principally due to higher silver and interest costs—

it is fair to say that our business seems to have prospered about as well in times of economic uncertainty as it did during unbridled prosperity.

During 1974, as in previous years, the predominant portion of our sales and earnings was derived from our basic business—minting and marketing limited edition sterling silver medals, coins, ingots and plates. Demand for these products continued its firm upward trend.

Collectors were especially receptive to the company's new products in pewter, bronze and crystal. And, our first collection of finely bound leather books—The 100 Greatest Books of All Time—generated more subscription dollars than any other offering in the company's history.

These new products attracted many new collectors, reinforcing our conviction that we can continue to broaden the universe of Franklin Mint collectors by offering a variety of distinctive collectibles.

A highlight for The Franklin Mint in 1974 was the striking of the first gold coin minted in the United States after the removal of the 41-year ban on ownership of gold by U.S. citizens. At precisely midnight on December 30, we struck the 100 Balboa Gold Coin of the Republic of Panama, the first gold coin ever authorized by that nation.

The performance of our employees in 1974 contributed significantly to our record year. Under difficult conditions, success depends on the ability to clearly recognize the need for change and to respond to that need quickly, imaginatively and effectively. Our employees measured up to this challenge in 1974 and, on behalf of our board, I would like to thank each of them.

Effective performance will be even more important to us in 1975 since there is little doubt that the current year will be more demanding than the last. However, there are four significant factors that will be working in our favor during 1975.

First, while our established collectors come from virtually every walk of life, they tend to be concentrated in the higher income brackets and are less affected than the population as a whole by inflation and recession.

Second, our research shows that we have reached only a minority of the potential collectors in the United States and that there is an even larger potential collector population outside the United States, where we are already experiencing our most rapid rate of growth.

Third, our backlog at the end of 1974 was the highest in the company's history. About $105,000,000 of this backlog is expected to be recorded as sales in 1975, providing a solid base for growth during the year.

Finally, legalization of gold ownership by U.S. citizens provides a major new market opportunity for the company. We expect that monetary gold coins offered to both our established collectors and the general public will be an important source of revenue in 1975.

In conclusion, 1974 was the best year in the history of the company and I am convinced that we are in a strong position to make 1975 another year of record sales and earnings.

Sincerely,

Charles L. Andes

Charles L. Andes
Chairman of the Board and President

Profile of Franklin Mint Corporation

Franklin Mint Corporation, headquartered at Franklin Center, Pennsylvania, is not only the world's largest private minting organization, but is also the world's leading producer of limited edition collectibles.

The company is currently doing business in the United States and ten other nations. Its operating subsidiaries outside of the United States include several of the world's most prestigious private mints.

The principal activity of Franklin Mint Corporation is minting and marketing commemorative medals and coins issued in limited edition and struck in precious metals, primarily silver and gold. In the ten years since its founding, more than one million people have acquired medallic issues from The Franklin Mint and the various international subsidiaries of the corporation.

Recently, the company has begun to expand into other areas of collector interest.

For instance, in the last year new collectibles were offered in crystal, bronze and pewter and our newest enterprise—The Franklin Library—became the largest publisher of deluxe leather-bound books in the world.

The corporation's principal domestic operating unit in the United States, The Franklin Mint, is the only private mint in the U.S. currently authorized by the governments of other nations to strike their monetary coins. At present, the company is designing and minting coins for eight nations: The Bahamas, Barbados, Belize, Bermuda, the British Virgin Islands, Jamaica, Panama and Trinidad and Tobago.

In its 10-year history, The Franklin Mint has struck a number of official medallic issues for prestigious organizations, including the United Nations, the White House Historical Association, the American Revolution Bicentennial Administration, The Bicentennial Council of the Thirteen Original States, The United States Olympic Committee and The National Governors'Conference.

The company has also worked with some of the world's leading artists in the creation of original works of art for its collectors. These artists include Andrew and James Wyeth, Norman Rockwell, Gilroy Roberts, Bernard Buffet and Henry Moore.

Franklin Mint Corporation is a publicly-owned company whose common stock is listed on the New York Stock Exchange and the London Stock Exchange.

As of December 31, 1974, the company had 20 million shares of common stock authorized of which 8,212,859 were issued and outstanding. Our individual shareholders come from all 50 states and several foreign nations.

Since March, 1970, the corporation's headquarters and principal operating facility has been located at Franklin Center, an 80-acre tract located 20 miles southwest of Philadelphia. This complex, which is comprised of more than 300,000 square feet of manufacturing and office space, includes a minting operation that is the most advanced in the world.

The company currently has more than 2,300 employees. Of this total, 600 are located outside the United States and 1,700 are employed domestically. Despite the company's rapid growth, the number of employees at Franklin Center has remained relatively stable for the last two years, reflecting continued productivity gains.

Franklin Mint Corporation entered the international marketplace in July, 1969, by acquiring John Pinches Medallists Ltd., London, England. Later that year we extended our activities to Canada through the acquisition of the Wellings Mint, Ltd., which was subsequently renamed The Franklin Mint Canada, Ltd. In 1970 the company acquired one of the oldest minting organizations in France, Le Medaillier, S.A.

Following these acquisitions, we established a headquarters for our international operations in London and created operating subsidiaries in Germany, Italy, Mexico, Japan and—most recently—Holland, Sweden and Australia.

Most of the company's world-wide needs for albums and related packaging material are supplied by The Sloves Organization, an operating division headquartered in New York.

Precious Metals Corporation of America, a wholly-owned subsidiary, coordinates the company's precious metal procurement activities. It has trading privileges on the Commodity Exchange, Inc. and is a member of the Commodity Clearing Association. Franklin Mint Corporation is one of the world's largest consumers of silver and PMCA's management of our hedge position for precious metal programs contributes significantly to our ability to control the cost of our principal raw material.

1974: The Year in Review

Domestic Operations

The corporation's domestic sales reached a record $122 million in 1974. This was an increase of 29% over 1973 domestic sales of $94 million. Net income from 1974 sales was $9.9 million, a 19% increase over the $8.3 million income of the previous year.

During the year, a total of 74 new programs were offered domestically, of which 41 were reserved exclusively for our established collectors and 33 were made available to the public.

Response to these offers helped increase the domestic backlog to $205 million and added 149,000 new collectors, bringing the total of established collectors in the United States to 784,000.

The Franklin Mint

The Franklin Mint is the principal operating division of the corporation. It is responsible for creating and implementing all collector programs in the United States and is the primary contributor to the corporation's total sales and earnings each year.

While sales of The Franklin Mint's traditional products—coins, medals, ingots and other fine works of sterling silver—continued to be the mainstay of our growth in 1974, we were also quite successful in introducing several new products during the year.

For instance, The Franklin Mint offered its first two pewter sculpture collections in 1974. The first—The People of Colonial America—was offered in January and reserved exclusively for our established collectors. The second, offered in October to established collectors and the general public, was a collection of ten sculptures honoring The American People 1776-1976. These collections generated orders of approximately $15 million.

In 1974, The Franklin Mint announced its first series of crystal cameos. This program, "The Bicentennial Collection of Cameos in Crystal," was a combined effort with two of the leading crystal producers in France to honor leading figures of the French-American alliance during the war of American independence. More than 6,700 collectors subscribed to the series, generating orders of nearly $5 million.

The mint also offered its first bronze sculptures and its first pewter medals to collectors during the year. The bronzes were original works by the noted American sculptor Charles Parks. The pewter medals were an official issue of The Daughters of the American Revolution.

Sales of Proof and Brilliant Uncirculated Specimen sets of the monetary coins of sovereign nations were also an important element in the mint's successful year. There was a sharp increase in interest by many nations in having Proofs of their monetary coinage struck by The Franklin Mint and collectors substantially increased their purchases of these issues.

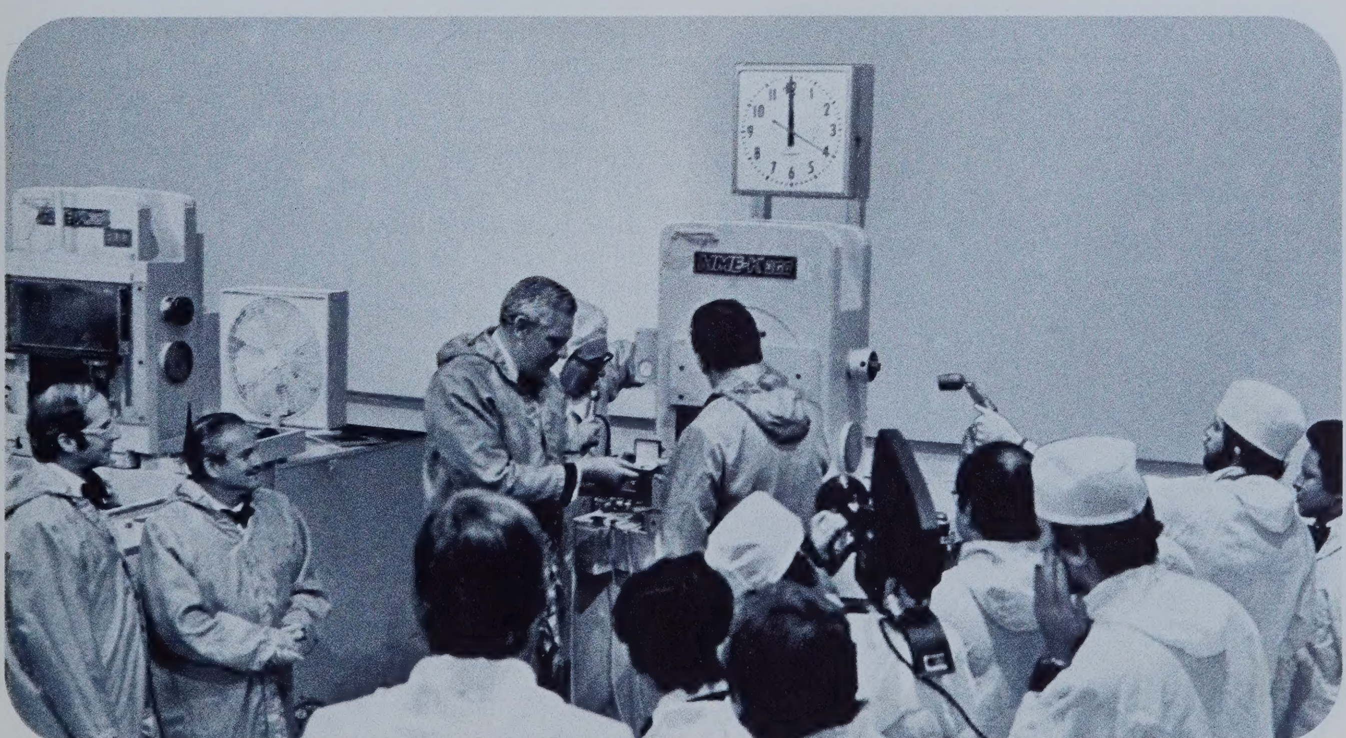
The most significant monetary coin The Franklin Mint struck in 1974 was the 100 Balboa Gold Coin of the Republic of Panama. This was the first gold coin authorized in Panama's history and the first gold coin legally minted in the United States upon removal of the government's 41-year ban on ownership of gold by U.S. citizens.

The first coin was struck in the "clean room" at Franklin Center at precisely midnight on December 30, 1974, the instant that legislation ending the gold ban went into effect. The striking, which was witnessed by a special delegation of senior diplomatic and financial representatives from the Republic of Panama, commanded wide attention in the press and on network television and radio.

Prior to the first day's minting, we had invited our established collectors in the United States to visit the mint on December 31 to witness the minting and to acquire one of the first day's coins, which were reserved exclusively for established Franklin Mint collectors. By dawn more than 400 people were lined up at Franklin Center and, despite inclement weather, a total of 3,000 people from 29 states and the District of Columbia arrived before the end of the day.

By January 31, 1975, we had received a total of $13.4 million in orders for both Proof and Brilliant Uncirculated Specimens, making the 100 Balboa Gold Coin the largest single-item issue in the history of the company.

In 1974, The Franklin Mint also offered both its established collectors and the general public several commemorative medallic series honoring the Bicentennial of the American Revolution. We plan to offer additional Bicentennial collections in 1975 and in 1976. In fact, we are convinced that collector interest in such programs will remain strong throughout the entire thirteen-year Bicentennial era, which ends in 1989 on the 200th anniversary of the adoption of the Constitution.



The Franklin Mint Gallery of American Art

The Franklin Mint Gallery of American Art was established in late 1972 in order to apply the marketing techniques of The Franklin Mint to a new area of potential collector interest—signed, limited-edition fine art prints.

We have not been satisfied with the results to date. While the gallery was marginally profitable in 1974, its sales were not up to our expectations and development and administrative costs were above acceptable levels.

Therefore, during the year we restructured the gallery's operations, combining its creative and fulfillment activities with those of The Franklin Mint division, substantially reducing costs. We expect to realize the full benefit of these savings in 1975.

During 1975 we plan to offer several new print programs in new formats which we expect will achieve acceptable profit levels.

The Franklin Library

The Franklin Library was established in late 1973 to revive the great tradition of publishing limited-edition collections of fine books in superb leather bindings.

1974 was The Franklin Library's first year of operation and it achieved extraordinary success.

The Franklin Library's first collection—The 100 Greatest Books of All Time—was offered in March 1974 and produced more than 37,000 subscriptions world wide. As of December 31, 1974—after the first three books in the series had been shipped to collectors—the remaining subscription backlog for this program was $68 million, adjusted for expected attrition.

Now another unusual collection is about to be published. This is the Pulitzer Prize Library, which includes all forty-nine works of fiction which have been awarded the Pulitzer Prize. The Franklin Library has secured the rights to publish each of these masterpieces and the limited edition offering of the collection will be completed early in 1975.

The Franklin Library maintains editorial and book design offices in the heart of New York City's publishing district, with a complete staff of editors and book designers.

Only a few binderies in the United States and Europe have the experience and skilled artisans necessary to bind books of this quality. They were engaged to produce the initial volumes in the 100 Greatest Books series. Because of the exceptionally large number of volumes needed for this series, we experienced some production delays in the first half of 1974 but, by the end of the year, collectors had received their first three books and shipments were proceeding on a one-a-month basis.

Since each succeeding series will increase the number of books to be produced monthly, we have begun construction of our own binding facility in New York City. This new facility, the first ever specifically designed to produce leather books of fine quality, is expected to be operational in late 1975.

International Operations

Franklin Mint International

Franklin Mint International continued as the corporation's fastest growing division during 1974.

Sales of our subsidiaries outside of the U.S. more than doubled during the year, rising from $18.5 million in 1973 to $45.0 million in 1974. Net income increased far more dramatically, reflecting not only the economies of larger volume, but also the increasing management maturity of our various subsidiaries outside of the United States. For the year, net income derived outside the U.S. increased more than 250% to $3.2 million from $886,000 a year earlier.

The number of established Franklin Mint International collectors also showed exceptional progress during the year, increasing 85% to 331,000 from 179,000 as of December 31, 1973. In terms of new collectors, we experienced our greatest growth in Germany. Canada, England, Italy and Japan also attracted substantial numbers of new collectors.

As of December 31, 1974, our subscription and order backlog outside the U.S. was the highest in the history of our international operations, providing a strong base for future sales. During the year, the international backlog increased more than 250% to $117 million from $33 million at the end of 1973.

A substantial portion of the increase in backlog outside the United States resulted from the successful promotion of several major medallic programs in different international markets during the year. Of greater long-term importance, however, was the fact that our subsidiaries abroad continued to develop significant local programs of special interest to collectors in their individual markets.

For instance, in 1974 our German subsidiary, Franklin Mint Internationale Münzkunst GmbH, offered collectors several medallic programs commemorating the 25th anniversary of the German Federal Republic. One series, honoring each of the eleven German Federal States, achieved the highest percentage response we have ever had from collectors outside of the United States.

Our Japanese subsidiary—Franklin Mint Japan Company, Ltd.—offered its first locally-developed program in early 1974, an official commemorative plaque honoring the golden wedding anniversary of the Emperor and Empress of Japan. This plaque attracted a substantial number of new collectors.

And, in October, Franklin Mint de Mexico offered its first proprietary medallic series—a collection of 51 medals honoring Mexico's presidents on the occasion of the 150th anniversary of the Constitutional Presidency of the United States of Mexico. The enthusiastic response to this offer established the new company as the leading private mint in Mexico.

In addition to our rapid growth in each of our eight existing international markets during the year, we were successful in introducing the Franklin Mint to two new markets, the Netherlands and Sweden. Initial response to our first marketing efforts in both of these countries was excellent.

In 1975 we expect to improve significantly our manufacturing capability overseas. This will be accomplished principally by relocating and enlarging our manufacturing facilities in England and France and by starting up a minting facility in Japan. The plant relocations in England and France will allow both subsidiaries to consolidate their operations, which are now scattered over several different locations and buildings. The new plant in Japan will produce immediate savings, particularly in the form of reduced import duties and tariffs.


VIRGINIA
1776 1976
WASHINGTON
OF LIBERTY • • MOTHER OF PRESIDENTS
1796 1976
SOUTH CAROLINA
"THEY SUFFERED MORE, DARED MORE, ACHIEVED MORE..."
RIDES FOR INDEPENDENCE
DELAWARE

Marketing Development

The essence of Franklin Mint Corporation's business is that of recognizing and satisfying the very human desire to possess works of beauty, importance and lasting value. Accordingly, the appeal of our issues is basic, timeless and unchanging. That appeal is reinforced by—but not reliant upon—the collector's knowledge that his collection may also have potential for value appreciation.

The people most likely to respond to the appeal of Franklin Mint issues tend to come from higher income groups and, in terms of age, education and life style, they reflect this relative affluence. But, they also have certain special characteristics that set them apart.

First, they take special pride in owning items of obvious quality—works that clearly reflect their value. Commemorative medals in sterling silver, for example, or monetary coins in solid gold. Objets d'art issued in limited edition. Great books bound in genuine leather.

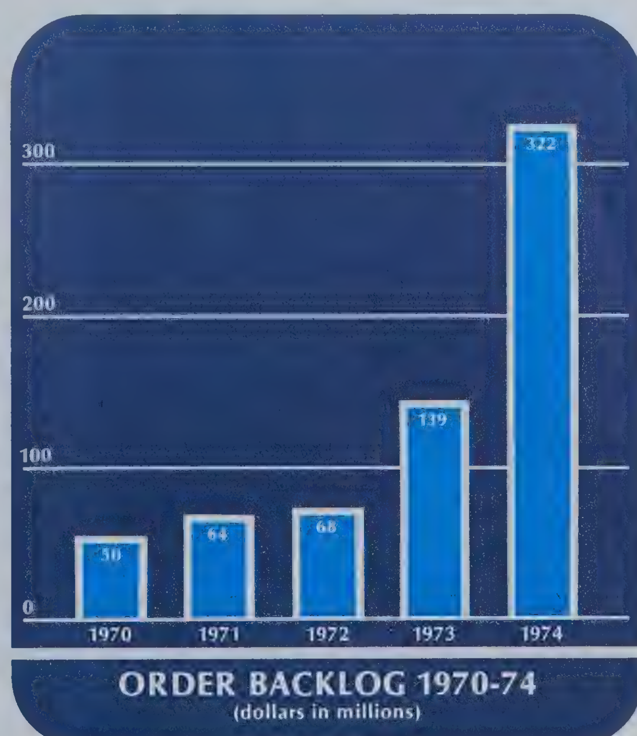
Second, they are people with a wide range of interests and are especially fascinated by history and art. As a result, they respond to the intellectual appeal of collections built around important themes—collections that they believe will expand their appreciation of the world.

Third, they are interested in acquiring collections that can be handsomely displayed—shared with family and friends, then passed on to their children or grandchildren as a legacy that says much about the giver's taste and sense of values.

The size of our potential market—in the United States and in other countries around the world—grows with every passing year. Indeed, we are continuing to attract thousands of new collectors every week. And we expect this steady growth to continue in the years ahead, with the world-wide number of established Franklin Mint collectors approaching 3,000,000 by the end of this decade.

To achieve that goal, we have been successfully implementing a program for attracting new collectors. At the same time, however, the major portion of our advertising budget goes into the development of programs geared to our established collectors.

Each year's product selection is developed with a view to offering a wide variety of interesting programs that differ significantly in terms of length, cost, product form and theme. Such variety allows us to appeal to the broadest possible spectrum of collector interests.



In 1974, for instance, our new issues ranged in length from single items like The Official First Continental Congress Bicentennial Medal to extended series like the 135-ingot collection honoring The Flags of the United Nations. They varied in subject matter from The Genius of Leonardo da Vinci to The History of Science. And they differed in form from our traditional coins and medals to our first collection of cameos in crystal, and from three-dimensional sculptures in pewter and bronze to our first collection of leather-bound books.

All of these programs, and the approximately 90 others offered by the company in 1974, were selected from a master list of nearly 100,000 program and product ideas. This list has been painstakingly developed over the last five years. It is continually being supplemented and refined by our Marketing Development groups, at Franklin Center and in London, who are assisted by professional library and research staffs in both locations.

To derive the best possible results from each new offering, every program is marketed under a time-tested system which has proven highly successful.

After a new concept has been approved by either the Franklin Center or London Marketing Development group, it is scheduled for development into an offering to collectors and/or the general public. The program is assigned to a Program Director who is given the primary responsibility for the program's

artistic development and financial success. The Program Director guides the program through a formal process of development that includes four separate in-depth reviews by a committee of senior marketing executives.

The product announcements and other selling materials for each program are prepared entirely by our own advertising departments—in Franklin Center for North American promotions and in London for European and Asian promotions. In both locations, skilled writers, artists and photographers make use of our experience and know-how to create a total presentation that will announce the new product in the most effective and appropriate fashion.

As well as supervising the creative side of the project, the Program Director also develops an advertising budget and a marketing plan consistent with the program's goals. Drawing upon another side of our in-house expertise, he uses computer analyses of collector interests, media research on comparable programs, and financial studies of costs and projected results to develop a total selling plan which is capable of delivering maximum profitability on the company's investment.

This is the Franklin Mint marketing system. A system in which clear marketing and financial goals, thorough planning, in-house copy and art development and periodic committee review all contribute to the success of your company.

Financial Review
Financial Statements

1974 Financial Review

Sales and Net Income

Net sales in 1974 of $166,736,000 increased 48% from 1973 net sales of $112,676,000. Substantial gains were recorded in both domestic and foreign markets.

NET SALES	1974	1973	Change
Domestic	$121,700,000	$ 94,114,000	+ 29%
Foreign	45,036,000	18,562,000	+143%
	$166,736,000	$112,676,000	+ 48%

1974 net income of $13,012,000 was 42% higher than 1973 net income of $9,138,000. The greatest percentage increase was attained in foreign operations.

NET INCOME	1974	1973	Change
Domestic	$ 9,857,000	$ 8,252,000	+ 19%
Foreign	3,155,000	886,000	+256%
	$13,012,000	$ 9,138,000	+ 42%

Earnings Per Share and Dividends

Earnings per share in 1974 were $1.58, an increase of 41% over 1973 earnings per share of $1.12.

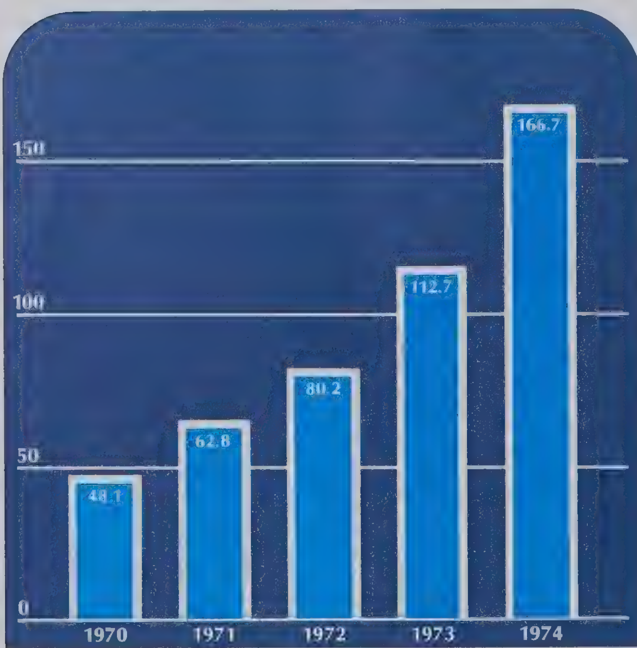
Beginning with the third quarter 1974 payment, the quarterly cash dividend was increased from 5 cents per share to 10 cents per share. This resulted in a payment of 30 cents per share in 1974, an increase of 50% over the 20 cents per share paid in 1973.

Income and Cost Analysis

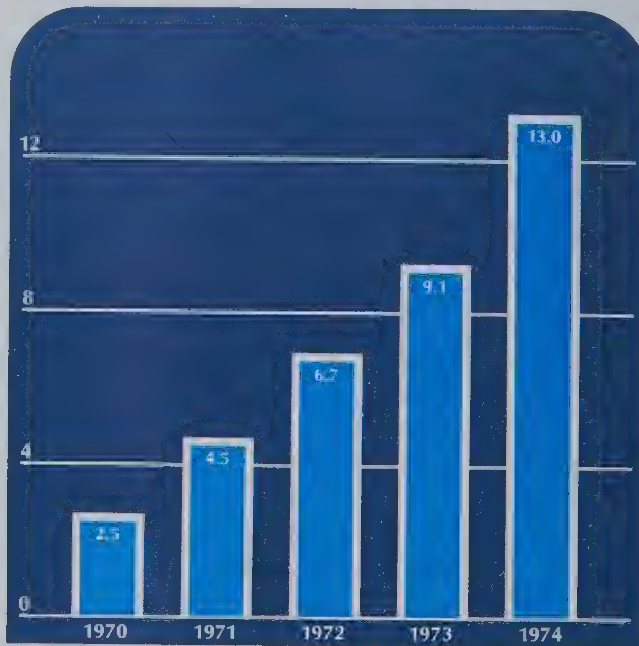
Net income in 1974 was 7.8% of sales, lower than the 8.1% margin achieved in 1973. Income before income taxes in 1974 amounted to 16.0% of sales as compared to 17.1% in 1973.

The lower net and pretax returns on sales in 1974 were caused primarily by higher raw material prices and by higher interest costs resulting from extensive use of bank credit lines in the second half of the year.

The effective income tax rate in 1974 was 51.1% compared to 52.6% in 1973. The lower 1974 effective rate occurred because of a lower Pennsylvania statutory income tax rate and because a larger proportion of total income was derived from foreign operations not subject to the Pennsylvania tax.



NET SALES 1970-74
(dollars in millions)



NET INCOME 1970-74
(dollars in millions)

The percentage relationships of costs and expenses to net sales in 1974 and 1973 were as follows (in thousands of dollars):

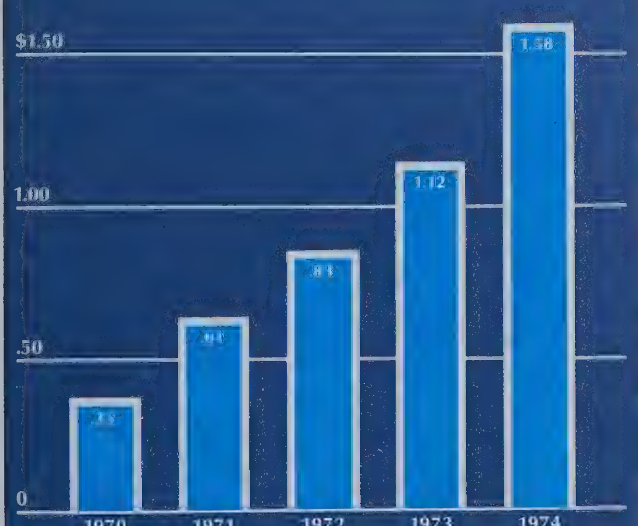
	1974		1973	
Net sales	$166,736	100.0%	$112,676	100.0%
Other income	2,306	1.4	1,074	.9
	169,042	101.4	113,750	100.9
Cost of products sold	71,242	42.7	44,739	39.7
Selling, general and administrative costs	42,280	25.4	31,321	27.8
Promotion and advertising costs	20,612	12.4	12,936	11.5
Pension and productivity sharing	4,290	2.5	3,158	2.8
Depreciation	2,134	1.3	1,827	1.6
Interest expense	1,867	1.1	501	.4
	142,425	85.4	94,482	83.8
Income before income taxes	$ 26,617	16.0%	$ 19,268	17.1%

Because of higher average silver costs in 1974, the cost of products sold increased as a percentage of sales. Promotion and advertising cost also experienced a relative increase, principally from the higher cost of materials for collector albums and chests. All other operating costs declined on a relative basis. This shift in relative costs resulted from a pricing decision on certain programs to not pass on the full impact of increased 1974 silver costs to collectors. Certain new 1974 programs were therefore priced at less-than-historical markups.

The relative increase in interest costs resulted from the greater use of bank credit lines at higher interest rates in 1974 than in 1973.

The components of other income in 1974 and 1973 were as follows:

	1974	1973
Interest from marketable securities	$ 850,000	$ 290,000
Imputed interest from installment sales	537,000	343,000
Income from joint ventures	214,000	85,000
Amortized PMCA revenues	705,000	356,000
	$2,306,000	$1,074,000



EARNINGS PER SHARE 1970-74
(adjusted for all stock splits)

NET SALES (dollars in thousands)

	1970	1971	1972	1973	1974
1st Qtr.	7,271	12,701	17,963	23,503	32,393
2nd Qtr.	11,473	14,987	19,578	25,391	38,517
3rd Qtr.	12,858	15,687	19,781	30,647	42,627
4th Qtr.	16,326	19,407	22,832	33,135	53,199

NET INCOME (dollars in thousands)

	1970	1971	1972	1973	1974
1st Qtr.	(316)	633	987	1,212	1,972
2nd Qtr.	508	1,076	1,637	2,158	3,112
3rd Qtr.	883	1,301	1,840	2,590	3,520
4th Qtr.	1,398	1,503	2,269	3,178	4,408

EARNINGS PER SHARE (adjusted for all stock splits)

	1970	1971	1972	1973	1974
1st Qtr.	(.05)	.09	.12	.15	.24
2nd Qtr.	.07	.15	.20	.26	.38
3rd Qtr.	.13	.17	.23	.32	.43
4th Qtr.	.20	.20	.28	.39	.53

QUARTERLY SALES AND EARNING STATISTICS 1970-74

Balance Sheet Changes and Sources and Uses of Funds

Several changes are reflected in the company's year end 1974 balance sheet compared with year end 1973. Most significant is the substantial increase in short term debt from $256,000 to $24,234,000. The need for increased borrowings resulted primarily from the following:

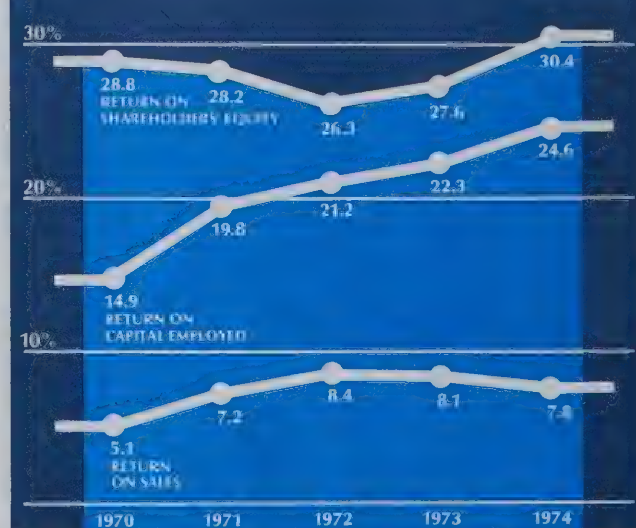
An increase in inventories from $15.4 million to $37.2 million. This was due to the higher level of sales, the increased cost of silver, and the need to acquire sizable amounts of gold late in the year in preparation for gold coin and medal programs.

An increase in prepaid promotion costs from $10.5 million to $26.7 million. The company's backlog increased from $139 million to $322 million in 1974. The percentage of prepaid promotion costs to backlog increased from 7.5% to 8.3%.

An increase in current and long term accounts receivable from $19.3 million to $31.8 million. This was primarily the result of the substantial increase in sales volume and increased use of postpayment series shipments and, to a lesser degree, the use of multiple-payment plans in connection with certain offerings of higher priced collectibles. Installment sales in 1974 amounted to 19% of total sales, compared to 18% in 1973.

	Scheduled Shipments from Backlog		Scheduled Amortization of Promotion Cost	
	Thousands	% of Total	Thousands	% of Total
1975	$105,200	32.7	$12,700	47.6
1976	65,900	20.4	6,400	24.0
1977	50,800	15.8	4,900	18.3
1978	29,500	9.2	2,600	9.7
1979 and beyond	70,600	21.9	100	.4
Total	$322,000	100.0%	$26,700	100.0%

SHIPMENTS FROM YEAR-END 1974 BACKLOG AND AMORTIZATION OF RELATED PROMOTION COSTS



PERFORMANCE RATIOS 1970-74

A brief synopsis of where the company obtained the funds required in 1974 is shown below. A detailed Consolidated Statement of Changes in Financial Position is shown on page 27.

	($ millions)
Total funds required in 1974	$59.5
Funds were obtained from:	
Operations	18.6
Exercise of employee stock options	.9
Increase in accounts payable, accrued expenses and income taxes	10.7
Increase in customer advance payments	3.7
Decrease in cash and temporary cash investments	1.6
	35.5
Use of bank lines of credit	24.0
Total funds obtained	$59.5

QUARTERLY PRICE RANGE OF COMMON STOCK (NYSE)

	1974		1973	
	High	Low	High	Low
1st Qtr.	20	12 [illegible]	23 [illegible]	13½
2nd Qtr.	19	14 [illegible]	16 [illegible]	9 [illegible]
3rd Qtr.	16½	10	19 [illegible]	10
4th Qtr.	16 [illegible]	12	22 [illegible]	11 [illegible]

QUARTERLY DIVIDEND PAYMENTS PER COMMON SHARE

	1974	1973
1st Qtr.	$.05	$.05
2nd Qtr.	.05	.05
3rd Qtr.	.10	.05
4th Qtr.	.10	.05
Year	$.30	$.20

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

(See Five-Year Review of Performance on Page 20.)

Changes in the Summary of Operations between 1973 and 1974 are discussed in the 1974 Financial Review. The following comments explain certain changes in the Summary of Operations between the years 1972 and 1973.

Net sales increased from 1972 to 1973 principally from the increased demand for the company's collector programs and, to a lesser extent, from upward price adjustments made on several new programs to offset increased material costs.

The increase in cost of products sold from 1972 to 1973 reflects the increased level of sales previously mentioned as well as increases in the costs of silver and other raw material.

Income taxes in 1972 and 1973 reflect the statutory U.S. federal and state income tax rates, as well as applicable foreign income tax rates in each year, less applicable tax credits. The 1973 effective rate was higher than 1972 because of lower investment tax credits as a percentage of income and the change in the mix of domestic and foreign business from 1972 to 1973.

Net income increased from 1972 to 1973 in approximate proportion to the increase in revenues.

Franklin Mint Corporation
Five-Year Review of Performance

Dollar amounts and shares expressed in thousands except figures on a per share basis

	1974	1973
Summary of Operations		
Net sales	$ 166,736	$112,676
Cost of products sold	71,242	44,739
Interest expense	1,867	501
Income tax provision	13,605	10,130
Net income	13,012	9,138
Per Share Information*		
Net income per share	$1.58	$1.12
Cash dividends per share	.30	.20
Price range of shares	20 -10	23 5/8-9 3/8
Price/earnings ratio	13 -6	21-8
Performance Indicators		
Return on sales	7.8%	8.1%
Return on average capital employed	24.6%	22.3%
Return on average shareholders' equity	30.4%	27.6%
Established collectors	1,115,000	810,000
Subscription and order backlog	$ 322,000	$139,000
Deferred promotion/backlog ratio	8.3%	7.5%
Financial Position		
Working capital	$ 16,152	$ 14,538
Plant, property and equipment (net)	22,842	20,890
Other assets	21,076	10,152
Capital employed	60,070	45,580
Long-term debt	4,504	4,878
Deferred income taxes	7,020	3,653
Shareholders' equity	$ 48,546	$ 37,049
Other Information		
Employees	2,369	2,001
Shareholders	11,006	10,435
Shares outstanding*	8,213	8,081

*Adjusted for all stock splits

1972	1971	1970	5-Year Compound Growth Rate
$ 80,156	$ 62,782	$ 48,128	41.9%
31,762	26,680	25,824	
307	453	730	
6,820	5,440	2,563	
6,733	4,533	2,473	50.4%
$.83	$.61	$.35	44.6%
.125	.034	.028	67.1%
25 1/4-17 1/8	19 3/8-9 1/8	12 5/8-3 1/8	
30-21	32-15	36-9	
8.4%	7.2%	5.1%	
21.2%	19.8%	14.9%	
26.3%	28.2%	28.8%	
575,000	425,000	300,000	41.0%
$ 68,000	$ 64,000	$ 50,000	60.7%
7.4%	8.1%	5.4%	
$ 10,874	$ 9,557	$ 2,887	
18,755	14,732	12,587	
6,468	3,277	2,693	
36,097	27,566	18,167	32.1%
4,986	3,915	6,861	
1,986	1,593	1,261	
$ 29,125	$ 22,058	$ 10,045	46.8%
1,633	1,325	1,193	
8,230	5,354	5,657	
8,028	7,866	7,042	

Summary of Significant Accounting Policies

Precious Metal Valuation and Related Product Costing

The company's principal products are made from silver. Because this raw material is subject to significant price fluctuations, the company hedges all its silver requirements by purchasing futures contracts to cover its fixed price sales commitments. Sufficient contracts are assigned to each of the company's sales programs to fulfill all orders, and the acquisition cost of the contracts establishes the cost of silver for the entire life of the program. These futures contracts are liquidated when silver bullion is purchased, and gains or losses resulting from the liquidation of the futures contracts adjust the silver bullion cost to the original program acquisition cost.

The market value of futures contracts purchased on the New York Commodity Exchange is fixed at the close of each business day. Any increase or decrease from the previous day's market value in the company's futures contracts is advanced to or paid by the company. Such advances or payments are deferred until the contracts are liquidated.

For certain programs, the company's sales commitment period often exceeds the period for which silver futures contracts can be purchased on the commodities market. To extend the hedge position for the total program life, the company simultaneously sells expiring contracts and purchases new contracts. Gains or losses resulting from sale of these expiring contracts are deferred until the hedge is ultimately liquidated.

These deferrals are classified in the financial statements as either a current asset or current liability until silver bullion is purchased.

Accordingly, silver bullion and silver content of products in process are valued in inventory, and silver is charged to cost of products sold at time of shipment, at sales program acquisition cost.

In 1974, the company purchased gold bullion and gold futures contracts to cover a portion of its 1975 requirements for certain gold coin and medal programs. The methods of accounting used for inventory valuation and for cost of gold products sold are the same as the methods used for silver.

Principles of Consolidation

The consolidated financial statements include the accounts of the company and its domestic and foreign subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation.

Intangible Assets

The excess of purchase price over underlying net assets of acquired subsidiaries is being charged against income over forty years.

Translation of Foreign Currencies

Assets and liabilities of foreign subsidiaries are translated into U.S. dollar equivalents at year end exchange rates, except for property, plant and equipment and long-term debt, which are translated at historic rates. Income and expense accounts are translated at average exchange rates for the year, except for depreciation which is translated at historical rates. Translation gains and losses are included currently in income.

Foreign exchange contracts are purchased in order to hedge, from time to time, against currency fluctuations affecting foreign operations of one or more foreign subsidiaries. Commencing in 1974, both realized and unrealized gains and losses on these forward exchange contracts are recorded in income currently.

Sales Orders and Related Promotion Costs

The company's principal method of selling its products is through direct mail and newspaper or magazine advertisements. Advance payments from customers are received with the sales order on certain programs. Shipments are made either as single mailings or as a series over a number of months. Sales are not recorded, and income is not recognized, until shipment is made. Printing and mailing costs of direct mail advertising and the cost of media advertisements, together with the cost of the collector albums or chests shipped to a customer at the beginning of a series, are deferred and charged against income over the shorter of the shipment period or fifty months. Costs incurred by company personnel in the development of sales programs, including salaries and wages, art work and other administrative expenses, are expensed in the period incurred.

Property, Plant and Equipment

Items capitalized as property, plant and equipment, including significant betterments to existing facilities, are carried at cost. Expenditures for maintenance and repairs are expensed when incurred.

Depreciation is computed by the straight-line method at rates adequate to recover the cost of the applicable assets over their estimated useful lives. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is included in income.

Income Taxes

The company provides for federal, foreign and state income taxes at the statutory rates in effect on income before income taxes for financial reporting purposes. This includes certain income and expense items which are reported in different periods for financial and tax reporting purposes. For those foreign subsidiaries where dividends are expected to be declared, incremental U.S. income taxes, if any, have been provided on those earnings. No provision for U.S. income taxes has been made on the earnings of other foreign subsidiaries because it is the company's intention to reinvest such undistributed earnings. However, any additional U.S. income tax on dividends which might be declared in the future from reinvested earnings would be substantially reduced by foreign tax credits.

Investment tax credits are accounted for as a reduction of the income tax provision in the year the related assets are placed in service.

Earnings Per Share

Earnings per common and common equivalent share is computed on the basis of weighted average shares outstanding during the period, after giving effect to the potential dilutive effect of the assumed exercise of stock options.

Stock Options

The stated value of shares issued upon exercise of stock options is credited to common stock. Any additional proceeds are credited to capital in excess of stated value. No charges against or credits to income are made in connection with options exercised.

Franklin Mint Corporation
Consolidated Balance Sheet

ASSETS	DECEMBER 31 1974	DECEMBER 31 1973*
Current Assets		
Cash	$ 6,427,000	$ 3,609,000
Temporary cash investments	5,430,000	9,872,000
Accounts receivable, less allowance for doubtful accounts of $3,014,000 in 1974; $1,385,000 in 1973	29,882,000	18,312,000
Inventories		
Precious metals	30,459,000	12,012,000
Other inventory, at lower of first-in, first-out cost or market	6,741,000	3,408,000
	37,200,000	15,420,000
Prepaid promotion costs, amortizable within one year	12,731,000	5,336,000
Other prepaid expenses	2,729,000	2,451,000
Total current assets	94,399,000	55,000,000
Property, Plant and Equipment, at cost		
Land	1,229,000	1,229,000
Buildings	11,834,000	10,678,000
Machinery and equipment	10,276,000	8,600,000
Furniture and fixtures	5,752,000	4,287,000
Equipment not fully installed	563,000	1,082,000
	29,654,000	25,876,000
Less accumulated depreciation	6,812,000	4,986,000
	22,842,000	20,890,000
Other Assets		
Prepaid promotion costs, amortizable after one year	13,953,000	5,196,000
Accounts receivable due after one year	1,910,000	1,020,000
Intangibles arising in acquisitions, net of amortization	3,219,000	3,274,000
Other	1,994,000	662,000
	21,076,000	10,152,000
Total Assets	$138,317,000	$86,042,000

See Summary of Significant Accounting Policies on pages 22 and 23, and Notes to Consolidated Financial Statements on pages 28 to 30.

*Reclassified for comparative purposes.

LIABILITIES AND SHAREHOLDERS' EQUITY

	DECEMBER 31 1974	DECEMBER 31 1973*
Current Liabilities		
Notes payable	$ 24,234,000	$ 256,000
Current maturities of long-term debt	370,000	430,000
Accounts payable and accrued expenses	13,960,000	11,355,000
Accrued pension and productivity sharing	2,669,000	1,770,000
Income taxes payable	4,171,000	298,000
Deferred income taxes	10,093,000	6,762,000
Customer advance payments	9,775,000	6,057,000
Deferred credits relating to future precious metal requirements	12,975,000	13,534,000
Total current liabilities	78,247,000	40,462,000
Long-term Debt, less current maturities		
Purchase arrangements - land and buildings	4,333,000	4,702,000
Foreign mortgage debt	171,000	176,000
	4,504,000	4,878,000
Deferred Income Taxes	7,020,000	3,653,000
Shareholders' Equity		
Preferred Stock, without par value; authorized - 2,000,000 shares; issued - none		
Common Stock, without par value; authorized - 20,000,000 shares; issued and outstanding - 8,212,859 shares in 1974; 8,081,261 shares in 1973; stated at	411,000	404,000
Capital in excess of stated value	16,014,000	15,088,000
Retained earnings	32,121,000	21,557,000
Total shareholders' equity	48,546,000	37,049,000
Total Liabilities and Shareholders' Equity	$138,317,000	$86,042,000

Consolidated Statement of Income

	1974	1973*
Net sales	$166,736,000	$112,676,000
Other income	2,306,000	1,074,000
	169,042,000	113,750,000
Costs and expenses		
Cost of products sold	71,242,000	44,739,000
Selling, general and administrative expenses	42,280,000	31,321,000
Promotion and advertising costs	20,612,000	12,936,000
Pension and productivity sharing costs	4,290,000	3,158,000
Depreciation	2,134,000	1,827,000
Interest expense	1,867,000	501,000
	142,425,000	94,482,000
Income before income taxes	26,617,000	19,268,000
Provision for income taxes	13,605,000	10,130,000
Net income	$ 13,012,000	$ 9,138,000
Earnings per common and common equivalent share	$1.58	$1.12
Weighted average common and common equivalent shares	8,220,000	8,165,000

Consolidated Statement of Retained Earnings

Retained earnings at beginning of year	$ 21,557,000	$ 14,030,000
Net income	13,012,000	9,138,000
Cash dividends equivalent to $.30 per share in 1974 and $.20 per share in 1973	(2,448,000)	(1,611,000)
Retained earnings at end of year	$ 32,121,000	$ 21,557,000

See Summary of Significant Accounting Policies on pages 22 and 23, and Notes to Consolidated Financial Statements on pages 28 to 30.

*Reclassified for comparative purposes.

Consolidated Statement of Changes in Financial Position

	1974	1973*
Funds were provided from:		
Net income	$13,012,000	$ 9,138,000
Non-cash charges to income		
Depreciation	2,134,000	1,827,000
Amortization of intangibles	70,000	253,000
Non current portion of provision for deferred income taxes	3,367,000	1,667,000
Funds provided from operations	18,583,000	12,885,000
Notes payable	23,978,000	(46,000)
Accounts payable and accrued expenses	2,605,000	5,605,000
Accrued pension and productivity sharing	899,000	323,000
Income taxes payable	3,873,000	
Current portion of deferred income taxes	3,331,000	3,688,000
Customer advance payments	3,718,000	3,306,000
Deferred credits relating to precious metal requirements		10,640,000
Exercise of stock options including tax benefit of deduction arising from employees' early disposition of stock acquired through stock options	933,000	397,000
Total funds provided	57,920,000	36,798,000
Funds were required for:		
Net additions to property, plant and equipment	4,086,000	3,962,000
Accounts receivable	12,460,000	10,088,000
Inventories	21,780,000	6,726,000
Prepaid promotion costs	16,152,000	5,531,000
Other prepaid expenses	278,000	171,000
Intangibles arising in acquisitions	15,000	36,000
Other assets	1,332,000	58,000
Income taxes payable		6,037,000
Deferred credits relating to precious metal requirements	559,000	
Long-term debt	434,000	55,000
Payable to shareholders of acquired company		3,600,000
Cash dividends	2,448,000	1,611,000
Total funds required	59,544,000	37,875,000
Resulting in a decrease in cash and temporary cash investments	(1,624,000)	(1,077,000)
Cash and temporary cash investments		
Beginning of year	13,481,000	14,558,000
End of year	$11,857,000	$13,481,000

*Reclassified for comparative purposes.

Notes to Consolidated Financial Statements

Foreign Operations

The following summarizes the combined financial data of foreign operations included in the consolidated statements:

	1974	1973
Net sales	$45,036,000	$18,562,000
Net income	3,155,000	886,000
Working capital	4,576,000	4,404,000
Net assets	12,324,000	7,890,000

Accumulated earnings of foreign subsidiaries included in consolidated retained earnings at December 31, 1974 and 1973 aggregate $3,530,000 and $1,281,000 respectively.

Net gains recognized currently from translating foreign subsidiaries' assets and liabilities totaled $547,000 in 1974 and $73,000 in 1973. Net losses recognized currently on forward exchange contracts totaled $518,000 in 1974, including $720,000 of unrealized gains, which were deferred at December 31, 1973.

Short-Term Borrowings and Compensating Balances

During 1974, the company and one of its domestic subsidiaries increased their combined unsecured lines of credit with banks from $10,000,000 to $56,000,000. In support of these bank lines, the company has agreed to maintain compensating balances, based on average collected funds, averaging 7.7% of the available lines of credit, and an additional 8.3% of any amounts borrowed. Although the company has agreed to maintain these funds, they are not restricted and may be drawn down for daily operations as needed. During 1974, the company was in compliance with all compensating balance requirements. The lines are reaffirmed annually by the banks and can be withdrawn at any time at the option of either the banks or the company. At December 31, 1974, $23,850,000 was borrowed under these agreements.

During 1974, average borrowing under these lines of credit was $13,139,000. The maximum amount used at any month end was $33,500,000. The weighted average interest rate of these loans was 12.0%. At December 31, 1974, the weighted average interest rate on outstanding borrowings was 10.5%.

In addition, several foreign subsidiaries of the company have aggregate credit arrangements with banks under which they may borrow up to $2,023,000. At December 31, 1974, foreign subsidiaries had borrowed $301,000 under these lines. During 1974 the average amount borrowed totaled $546,000. The maximum amount borrowed at any month end totaled $964,000. The weighted average interest rates of these loans during 1974 and on outstanding balances at December 31, 1974 were 12.0% and 12.0%, respectively.

Long-Term Debt

Under the terms of various arrangements to finance the construction of the company's principal facility and additions thereto, the company assigned, as collateral, legal title to land which cost $579,000. Legal title to the facilities will be deeded to the company no later than 1990 and, accordingly, these transactions have been accounted for as purchases. The company's commitment under these financing arrangements is payable in varying monthly installments until 1990, including interest at a weighted average rate of 5.3%. Foreign mortgage debt is comprised of a 10½% mortgage payable in monthly installments until 1995.

The aggregate amount of long-term debt outstanding at December 31, 1974, maturing during each of the four years ending after 1975 approximate $331,000; $305,000; $323,000; and $343,000.

Common Stock

Changes in common stock and capital in excess of stated value are summarized as follows:

	Common Stock Shares	Common Stock Amount	Capital in Excess of Stated Value
Balance December 31, 1972	8,027,542	$401,000	$14,694,000
Exercise of stock options	53,719	3,000	315,000
Income tax effect of deduction arising from employees' early disposition of stock acquired through stock options			79,000
Balance December 31, 1973	8,081,261	404,000	15,088,000
Exercise of stock options	131,598	7,000	846,000
Income tax effect of deduction arising from employees' early disposition of stock acquired through stock options			80,000
Balance December 31, 1974	8,212,859	$411,000	$16,014,000

Pursuant to shareholder approval, a total of 900,000 shares were made available under the Company's 1964 Qualified Stock Option Plan and a total of 500,000 shares were made available under the Company's 1970 Qualified Stock Option Plan for the grant of options to officers and key employees at prices not less than the fair market value on the date of grant. As of September 9, 1974, no further options could be granted under the 1964 Plan. Under the 1970 Plan, options may be granted until February 16, 1980. The options, which expire five years from date of grant, may not be exercised during the first year following the date the option is granted, and, thereafter, options may be exercised for not more than 25% of the shares subject to the option in each of the following four years on a cumulative basis. An option may not be exercised while the optionee has outstanding previously granted qualified options at a higher price.

The following summary reflects changes in shares under option:

	Option Shares 1974	Option Shares 1973
Balance January 1	493,815	468,794
Granted ($11.00 to $13.75 per share in 1974; $10.13 to $20.25 per share in 1973)	65,800	118,700
Exercised ($3.17 to $14.00 per share in 1974; $3.17 to $13.83 per share in 1973)	(129,348)	(53,719)
Canceled	(18,860)	(39,960)
Balance December 31	411,407	493,815
Average option price	$ 14.90	$ 13.33
Option shares exercisable at December 31	151,359	166,587
Option shares available for future grant	39,399	88,198

In 1975, options to purchase 71,218 shares become exercisable.

During 1974, 2,250 shares were issued pursuant to exercise of a non-qualified stock option. As of December 31, 1974, there were no outstanding non-qualified stock options.

Income Taxes

The components of the provision for income taxes are as follows:

	U.S. Federal	Foreign	State and Local	Total
1974				
Current	$4,366,000	$1,772,000	$ 992,000	$ 7,130,000
Deferred	4,497,000	1,550,000	428,000	6,475,000
	$8,863,000	$3,322,000	$1,420,000	$13,605,000
1973				
Current	$2,471,000	$ 592,000	$ 753,000	$ 3,816,000
Deferred	5,235,000	349,000	730,000	6,314,000
	$7,706,000	$ 941,000	$1,483,000	$10,130,000

The principal difference between the provision for income taxes and the amount derived by multiplying income before income taxes by the statutory

federal income tax rate is the provision for state income taxes.

The provision for U.S. federal income tax has been reduced by investment tax credits aggregating $275,000 in 1974 and $151,000 in 1973.

Deferred tax provisions are the result of the tax effect of income and expense items which differ for financial and tax reporting purposes. The components of deferred tax expense are as follows—(increase)/decrease in amounts currently payable:

	1974	1973
Installment sales recognized on a cash-collected basis for tax purposes	$2,011,000	$2,899,000
Prepaid promotion costs recognized in the period incurred for tax purposes	6,355,000	1,700,000
PMCA revenues amortized for book purposes and recognized on a realized and unrealized basis for tax purposes in 1974, and on a realized basis for tax purposes in 1973	(1,195,000)	1,071,000
Other items (individually less than 15% of deferred tax provision)	(696,000)	644,000
	$6,475,000	$6,314,000

In 1974, the company began to treat gains and losses on silver futures contracts and silver inventory costs on the same basis for tax purposes as for financial statement purposes. Since the 1973 income tax returns were filed on this basis, the 1973 current and deferred provision for income taxes and the income tax liabilities at December 31, 1973 have been reclassified to reflect this method. This reclassification had no effect on the overall 1973 tax provision or total current liabilities.

Deferred tax liabilities relating to items classified as current assets, principally the current portion of installment receivables and prepaid promotion costs have been classified as current liabilities.

Income taxes payable have been reduced by the tax effect of the deduction arising from employees' early disposition of stock acquired through stock options. These reductions to the income taxes payable, aggregating $80,000 in 1974 and $79,000 in 1973, have been credited to capital in excess of stated value. No reduction to the income tax provision is made in connection with these transactions.

Pension and Productivity Sharing Plans

The company has a "defined-contribution" pension plan for substantially all domestic employees. Pension costs, which are accrued at 6% of eligible employees' base salaries and are funded annually, aggregated $981,000 in 1974 and $845,000 in 1973.

In July, 1973, a foreign subsidiary of the company established a pension plan covering substantially all full-time employees after they have completed one year of service. The subsidiary's policy is to fund pension cost accrued. Pension costs aggregated $56,000 in 1974 and $29,000 in 1973, including amortization of prior service cost over 20 years.

The company has a productivity sharing plan in effect for substantially all domestic employees and certain foreign employees. In 1974 and 1973, the company allocated an amount equal to 25% of consolidated net income to the plan. Productivity sharing is distributed in December based on the results of interim operations and in March of the subsequent year, after the annual audit.

Commitments and Other Matters

The company, in the normal course of business, purchases futures contracts, principally silver, in significant quantities and amounts. Such contracts, with approximate cost of $105,000,000 at December 31, 1974, were committed to fulfill customer sales orders and subscriptions, some of which extend into 1983, and additionally cover certain orders and subscriptions the company anticipates receiving during 1975.

The company's total rental expenses were $1,744,000 in 1974 and $1,072,000 in 1973. Minimum rentals under all noncancelable leases (excluding financing leases), principally for manufacturing and administrative facilities of subsidiaries, totaled $650,000 in 1974. Minimum rentals for noncancelable leases were not significant in 1973. Minimum future annual rentals under these noncancelable leases are as follows: 1975 — $650,000; 1976 — $614,000; 1977—$542,000; 1978—$521,000; 1979—$411,000; 1980 to 1984 — $1,762,000; thereafter — $256,000. In December, 1974, the company entered into a financing lease for the rental of a computer. The lease is for an eight-year period with annual rentals totaling $360,000.

Report of Independent Accountants

To the Board of Directors and Shareholders of
Franklin Mint Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, retained earnings and changes in financial position present fairly the financial position of Franklin Mint Corporation and its subsidiaries at December 31, 1974 and 1973, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Independence Mall West
Philadelphia, Pennsylvania 19106
February 28, 1975

Upon written request, the Company will send to Shareholders, without charge, a copy of its Annual Report or Form 10K for 1974, as filed with the Securities & Exchange Commission. Requests for this report should be directed to:

Corporate Secretary
Franklin Mint Corporation
Franklin Center, Pennsylvania 19091

Franklin Mint Corporation

Corporate Officers and Directors

Charles L. Andes, *Chairman of the Board, President and Chief Executive Officer*

Norman Klauder, *Vice Chairman of the Board Management Consultant*

Gilroy Roberts, *Chairman Emeritus and Director*

Martin F. Walsh, *Senior Vice President and Director*

Brian G. Harrison, *Executive Vice President and Director*

Gerald C. Dragonetti, *Vice President, General Counsel and Director*

Stanley Merves, *Director*
Senior Partner, Merves, Grossman, Brenner & Company (Certified Public Accountants)

Donald F. Smith, *Vice President and Director*

Frederick C. Waldron, *Director*
Associate, Moore & Schley, Cameron & Co. (Members New York Stock Exchange)

Michael C. Boyd, *Vice President*

Nelson B. Colton, *Vice President*

James M. Doyle, Jr., *Vice President and Treasurer*

Francis J. Fitzpatrick, *Vice President*

Francis D. Margulies, *Vice President*

John B. Robinson, *Vice President*

Charles E. Wickard, *Vice President*

Burton J. Neuman, *Controller*

Donald S. Winograd, *Secretary*

Divisional and Subsidiary Officers

The Franklin Mint

Charles L. Andes, *President*

Martin F. Walsh, *Senior Vice President*

Nelson B. Colton, *Executive Vice President, Operations*

Francis D. Margulies, *Executive Vice President, Marketing*

Burton J. Neuman, *Executive Vice President, Finance & Administration*

Henry W. Broido, Jr., *Vice President, Marketing Development*

Rowland C. Gersen, *Vice President and Controller*

Austin L. Greer, *Vice President, Customer Services*

Norman L. Harris, *Vice President, Information Systems*

Walter H. Herman, *Vice President, Research & Engineering*

William F. Krieg, *Vice President, Collector Relations*

Richard H. McClay, *Vice President, Manufacturing*

William M. McCormick, *Vice President, Governmental Accounts*

Chester G. Peterson, *Vice President, Creative Services*

John J. Pirocchi, *Vice President, Operations Control*

The Franklin Library

Robert V. O'Brien, *Publisher and Vice President*

Precious Metals Corporation of America

Gerard E. Woodburn, *President*

The Sloves Organization

Joseph Sloves, *President*

Franklin Mint International

Brian G. Harrison, *President*

Charles E. Wickard, *Executive Vice President*

Howard F. Cooper, *Vice President, Operations*

Michael Donnelly, *Vice President, Finance*

John J. Wallace, *Vice President, Manufacturing*

The Franklin Mint Canada, Ltd.

Robert J. Reid, *President*

John Pinches Medallists, Ltd.

Michael J. Golding, *Managing Director*

Franklin Mint Internationale Münzkunst GmbH

Marvin H. Shaub, *President*

Le Medaillier, S.A.

Patrick Petit, *President*

Franklin Mint Japan Co., Ltd.

Edmund Schooler, *President*

Franklin Mint Italiana, SpA

Alberto Foglietti, *Managing Director*

Franklin Mint de Mexico
Tesoros Numismaticos, SA de CV

Roger Meyerstein, *President*

Franklin Mint Nederland BV

Isaac Becu, *General Manager*

Franklin Mint AB (Sweden)

Bjorn Valsinger, *President*

Headquarters - Franklin Center, Pennsylvania

Independent Accountants - Price Waterhouse & Co., Philadelphia, Pennsylvania

Transfer Agent - First National City Bank, New York, New York

Stock Exchange Listings - New York Stock Exchange, Trading Symbol "FM"
London Stock Exchange, Trading Symbol "FRA"

Annual Meeting - May 5, 1975 at 10 a.m. at the company's headquarters, Franklin Center, Pennsylvania

FRANKLIN MINT CORPORATION
FRANKLIN CENTER, PENNSYLVANIA 19091